added last year.[125] By contrast there are approximately 183 million wireline access lines, a number declining each year,[126] and it is expected that this year the number of cell phone users will exceed the number of wireline access lines.[127]

Growing numbers of wireless subscribers are abandoning their wireline service altogether. During the last few years, the percentage of wireless users that have given up wireline service has grown to 7-8 percent.[128] Approximately 3 million additional wireless subscribers are now giving up their wireline phones each year, and even larger percentages of young consumers – who will make up the next generation of homeowners – are disconnecting their wireline service altogether, which make it likely that the rate of substitution will increase even further in the future.[129]

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[125] *CTIA's Semi-Annual Wireless Industry Survey Results, available at* http://files.ctia.org/pdf/CTIAYearEnd2004Survey.pdf.

[126] *See, e.g.*, Ind. Anal. & Tech. Div., Wireline Competition Bureau, FCC, *Trends in Telephone Service,* at Table 7.1 (June 2005) (end-user switched access lines have declined steadily since their peak in 2000).

[127] Adam Quinton, Managing Director & First Vice President, Co-Head of Global Telecom Services Research, Merrill Lynch, prepared witness testimony before the Subcommittee on Telecommunications and the Internet of the House Energy and Commerce Committee, Washington, DC (Feb. 4, 2004).

[128] *Id; see also* Michael Balhoff, Managing Director, Telecommunications Group, Legg Mason, prepared witness testimony before the Subcommittee on Telecommunications and the Internet of the House Energy and Commerce Committee, Washington, DC (Feb. 4, 2004).

[129] B. Bath, Lehman Brothers, *Final UNE-P Rules Positive for RBOCs* at Figure 2 (Dec. 10, 2004).A. Quinton, *et al.*, Merrill Lynch, *Telecom Services: Unraveling Revenues* at 5 (Nov. 20, 2003) ("[W]e believe that demographic trends favor wireless. . . . So, as the US population ages, more young people are likely to become wireless subscribers – and either displace the purchase of a wireline service with wireless or cut the cord on an existing line."); S. Ellison, IDC, *U.S. Wireline Displacement of Wireline Access Lines Forecast and Analysis, 2003-2007* at 7 (Aug. 2003) ("The first communications services purchased by youth and young adults are now often wireless services. Adoption of wireless by teenagers is increasingly being translated into forgoing traditional primary access lines when such wireless users go to college or otherwise establish their own households.").

In addition to replacing the landline phone as the primary means of making local calls, wireless carriers are competing aggressively to displace long distance telephone calls that previously were made on wireline networks. Wireless service packages include unlimited long distance calling, which has contributed to wireline traffic substitution and increasing average minutes of use among wireless carriers. As one analyst explained, "[t]hanks to unlimited night and weekend minutes ... cellphone plans are the method of choice when it comes to long-distance calling from home."[130]

With the increase in wireless subscribers and the variety of competitive packages being offered by wireless carriers, greater amounts of traffic are migrating from wireline to wireless networks. According to industry reports, wireless minutes of use exceeded one trillion in 2004,[131] and analysts estimated that in 2004 "wireless could make up approximately 29% of voice minutes in the US."[132] Wireless voice minutes are rising at 36 percent per year,[133] while minutes on landline networks have declined.[134] The increase in wireless long-distance calls is

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[130] W. Mossberg, *The Mossberg Solution: Turning Your Home Phone into a Cellphone – Call-Forwarding Devices Let You Use Cellular Service on a Traditional Phone*, Wall St. J. at D6 (Dec. 3, 2003).

[131] *CTIA's Semi-Annual Wireless Industry Survey Results*, *available at* http://files.ctia.org/pdf/CTIAYearEnd2004Survey.pdf.

[132] D. Janazzo, *et al.*, Merrill Lynch, *The Next Generation VIII: The Final Frontier?* at 5 (Mar. 15, 2004); *Implementation of Section 6002(b) of the Omnibus Budget Reconciliation Act of 1993*, WT Docket No. 02-379, *Eighth Report*, 18 FCC Rcd 14783, 14929, ¶ 102 (2003) ("One analyst estimates that wireless has now displaced about 30 percent of total wireline minutes.").

[133] Adam Quinton, Managing Director & First Vice President, Co-Head of Global Telecom Services Research, Merrill Lynch, prepared witness testimony before the Subcommittee on Telecommunications and the Internet of the House Energy and Commerce Committee, Washington, D.C. (Feb. 4, 2004).

[134] *See, e.g.*, Ind. Anal. & Tech. Div., Wireline Competition Bureau, FCC, *Trends in Telephone Service* at Table 10.1 (Aug. 2003); S. Flannery, *et al.*, Morgan Stanley, *Telecom Services: Trend Tracker: Spring Break! Some Temporary Telecom Relief* at 23 (Mar. 18, 2004).

even greater as estimates are that wireless subscribers make 60 percent of their long-distance calls on their wireless phones.[135]

In addition to wireless substitution, there also is increased competition from cable operators and VoIP providers. According to analysts, "Cable telephony, circuit and packet, represent about 3.4 million households today or 3%, but we see this rising steadily to about 17.2 million or 15% by 2010."[136] The number of consumers subscribing to VoIP has been forecast to grow from 1.1 million in 2004 to 28.5 million by 2009.[137] The Commission has acknowledged that consumers of VoIP service expect it to function as a "regular telephone" service,[138] which means that it increasingly competes with traditional telephone services.

As competitive alternatives continue to expand, a constant factor has been the willingness of the Commission to allow competition to develop without the hindrance of unnecessary regulation.[139] The Commission has the opportunity to do precisely that by granting BST's Petition to forbear from cost assignment rules that no longer serve any legitimate purpose.

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[135] P. Marshall, *et al.*, The Yankee Group, *Divergent Approach to Fixed/Mobile Convergence* at 7 & Exh. 4 (Nov. 2004).

[136] Banc of America Securities Research Brief, *Setting the Bar: Establishing a Baseline for Bell Consumer Market Share* (June 14, 2005).

[137] Yankee Group, *Consumer Market for US Residential VoIP Services Accelerates* (June 28, 2005).

[138] *See generally IP-Enabled Services; E911 Requirements for IP-Enabled Service Providers,* WC Docket Nos. 04-36 & 05-196, First Report and Order and Notice of Proposed Rulemaking, 20 FCC Rcd 10245 (2005).

[139] *See, e.g., Pricing Flexibility Order*, 14 FCC Rcd at 14224, ¶ 1 ("[W]e continue the process [of reforming] regulation of interstate access charges in order to accelerate the development of competition in all telecommunications markets and to ensure that our own regulations do not unduly interfere with the operation of these markets as competition develops."); *Wireline Broadband Order*, ¶¶ 3, 5 ("Today, we decide that the appropriate framework for Wireline broadband Internet access service . . . is one that is eligible for a lighter regulatory touch[,] . . . in light of the competitive and technical characteristics of the broadband Internet access market today . . . .").

4. Granting the Petition promotes competition.

Section 160 provides that, in making its public interest determination, the Commission shall consider whether forbearance from enforcing the provision or regulation will promote competitive market conditions, including the extent to which such forbearance will enhance competition among providers of telecommunications services. If the Commission determines that such forbearance will promote competition among service providers, that determination may support a Commission finding that forbearance is in the public interest.[140]

The activities involved in rules compliance do not support ratemaking, wherein the public interest, in this context, would most closely be identified. Thus, the value of continued rules enforcement is less than zero from a public interest perspective. The public interest, however, *is* clearly aligned with the presence of robust competition by providers of telecommunications products and services. Each competitor should be free to deploy its resources, to the maximum extent possible, toward positive activities that generate consumer benefit. A significant portion of BST's resources, as described herein, are deployed in rules-mandated activities that do not produce value to consumers. This ties BST's competitive hands in ways that no longer can be justified.

VI. CONCLUSION

For the foregoing reasons, the Commission should grant BST's Petition seeking forbearance from the Commission's cost assignment rules. BST's Petition satisfies the forbearance criteria because: (1) no "strong connection" exists between continued enforcement and application of the Commission's cost assignment rules and the Commission's statutory goal of ensuring that BST's rates are just, reasonable, and nondiscriminatory; (2) no "strong connection" exists between continued enforcement and application of the Commission's cost

[140] 47 U.S.C. §160(b).

assignment rules and the Commission's statutory goal of protecting consumers in this context; and (3) granting BST forbearance from these antiquated rules is in the public interest. As such, the Commission must grant the forbearance sought. *See* 47 U.S.C. §§ 160 (a) and (c).

Respectfully submitted,

BELLSOUTH TELECOMMUNICATIONS, INC

Theodore C. Marcus

Richard M. Sbaratta
Stephen L. Earnest
Suite 4300
675 West Peachtree Street, N. E.
Atlanta, Georgia 30375
(404) 335-0711

Bennett L. Ross
Theodore C. Marcus
1133 21st Street, NW
Suite 900
Washington, DC 20036
(202) 463-4155

Date: December 6, 2005

#611145-v4

Appendix 1
Detail of Affected Rules

Appendix 1

Introduction to Appendix

The following tables provide a listing of the specific rules from which BST seeks forbearance. All the rules within a specific section are listed in the tables even though some rules are not applicable to BST, or BST is not seeking forbearance from that specific rule. The tables have two columns: (1) one labeled "Forbearance," and (2) the other column labeled either "No Action," or "No Action (Does not apply to BST today)."

BST has placed an "X" in the "Forbearance" column for each rule from which it seeks forbearance. BST has placed an "X" in the column "No Action (Does not apply to BST today)" for all rules that do not apply to BST. For rules that do apply to BST, but from which no forbearance is being sought, BST has placed an "X" in the "No Action" column. Some designations in the columns have been annotated by footnotes to explain further as appropriate.

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Authority: 47 U.S.C. Secs. 151, 154 (i) and (j), 205, 221(c), 254, 403 and 410.
Source: 52 FR 17229, May 6, 1987, unless otherwise noted.

47 C. F. R. PART 43 – Reports of Communication Common Carriers and Certain Affiliates

47 C.F.R. PART 61 – Tariffs

Appendix 1

47 C.F.R. PART 64 – Miscellaneous Rules Related to Common Carriers

47 C.F.R. PART 65 – Interstate Rate of Return Prescription Procedures and Methodologies

47 C.F.R. PART 69 – Access Charges

47 U.S.C – Telegraphs, Telephones, and Radiotelegraphs

Appendix 1 – Rules

PART 1 – Practice and Procedure

Subpart E – Complaints, Applications, Tariffs, and Reports Involving Common Carriers Section 1.795

47 C. F. R. PART 1 SUBPART E	Action Requested	
	For-bear	No Action
Subpart E_Complaints, Applications, Tariffs, and Reports Involving Common Carriers		
Sec. 1.795 Reports regarding interstate rates of return.	X	
Carriers shall file reports regarding interstate rates of return on FCC Form 492 as required by part 65 of this chapter.		
[52 FR 274, Jan. 5, 1987]		

Appendix 1 – Rules

PART 32 – Uniform System of Accounts for Telecommunications Companies
Subpart B – General Instructions Sections 32.23 and 32.27

47 C.F.R. PART 32 SUBPART B (Selected Rules)	Action Requested: For-bear	Action Requested: No Action (Does not apply to BST today)
Subpart B--General Instructions Sec. 32.23 Nonregulated activities.		
(a) This section describes the accounting treatment of activities classified for accounting purposes as ``nonregulated." Preemptively deregulated activities and activities (other than incidental activities) never subject to regulation will be classified for accounting purposes as ``nonregulated." Activities that qualify for incidental treatment under the policies of this Commission will be classified for accounting purposes as regulated activities. Activities that have been deregulated by a state will be classified for accounting purposes as regulated activities. Activities that have been deregulated at the interstate level, but not preemptively deregulated, will be classified for accounting purposes as regulated activities until such time as this Commission decides otherwise. The treatment of nonregulated activities shall differ depending on the extent of the common or joint use of assets and resources in the provision of both regulated and nonregulated products and services.	X	
(b) When a nonregulated activity does not involve the joint or common use of assets and resources in the provision of both regulated and nonregulated products and services, carriers shall account for these activities on a separate set of books consistent with instructions set forth in Secs. 32.1406 and 32.7990. Transfers of assets, and sales of products and services between the regulated activity and a nonregulated activity for which a separate set of books is maintained, shall be accounted for in accordance with the rules presented in Sec. 32.27, Transactions with Affiliates. In the separate set of books, carriers may establish whatever detail they deem appropriate beyond what is necessary to provide this Commission with the information required in Secs. 32.1406 and 32.7990.	X	
(c) When a nonregulated activity does involve the joint or common use of assets and resources in the provision of regulated and nonregulated products and services, carriers shall account for these activities within accounts prescribed in this system for telephone company operations. Assets and expenses shall be subdivided in subsidiary records among amounts solely assignable to nonregulated activities, amounts solely assignable to regulated activities, and amounts related to assets and expenses incurred jointly or in common, which will be allocated between regulated and nonregulated activities. Carriers shall submit reports identifying regulated and nonregulated amounts in the manner and at the times prescribed by this Commission. Nonregulated revenue items not qualifying for incidental treatment as provided in Sec. 32.4999(l) of this part, shall be recorded in separate subsidiary record categories of Account 5280, Nonregulated operating revenue. Amounts assigned or allocated to regulated products or services shall be subject to part 36 of this chapter. [52 FR 6560, Mar. 4, 1987, as amended at 53 FR 49322, Dec. 7, 1988; 59FR 46930, Sept. 13, 1994; 64 FR 50007, Sept. 15, 1999]	X	

Appendix 1 – Rules

47 C.F.R. PART 32 SUBPART B (Selected Rules)	Action Requested	
	For-bear	**No Action** (Does not apply to BST today)
Subpart B--General Instructions Sec. 32.27 Transactions with affiliates.		
(a) Unless otherwise approved by the Chief, Common Carrier Bureau, transactions with affiliates involving asset transfers into or out of the regulated accounts shall be recorded by the carrier in its regulated accounts as provided in paragraphs (b) through (f) of this section.	X	
(b) Assets sold or transferred between a carrier and its affiliate pursuant to a tariff, including a tariff filed with a state commission, shall be recorded in the appropriate revenue accounts at the tariffed rate. Non-tariffed assets sold or transferred between a carrier and its affiliate that qualify for prevailing price valuation, as defined in paragraph (d) of this section, shall be recorded at the prevailing price. For all other assets sold by or transferred from a carrier to its affiliate, the assets shall be recorded at no less than the higher of fair market value and net book cost. For all other assets sold by or transferred to a carrier from its affiliate, the assets shall be recorded at no more than the lower of fair market value and net book cost. (1) Floor. When assets are sold by or transferred from a carrier to an affiliate, the higher of fair market value and net book cost establishes a floor, below which the transaction cannot be recorded. Carriers may record the transaction at an amount equal to or greater than the floor, so long as that action complies with the Communications Act of 1934, as amended, Commission rules and orders, and is not otherwise anti-competitive. (2) Ceiling. When assets are purchased from or transferred from an affiliate to a carrier, the lower of fair market value and net book cost establishes a ceiling, above which the transaction cannot be recorded. Carriers may record the transaction at an amount equal to or less than the ceiling, so long as that action complies with the Communications Act of 1934, as amended, Commission rules and orders, and is not otherwise anti-competitive. (3) Threshold. For purposes of this section carriers are required to make a good faith determination of fair market value for an asset when the total aggregate annual value of the asset(s) reaches or exceeds $500,000, per affiliate. When a carrier reaches or exceeds the $500,000 threshold for a particular asset for the first time, the carrier must perform the market valuation and value the transaction on a going-forward basis in accordance with the affiliate transactions rules on a going-forward basis. When the total aggregate annual value of the asset(s) does not reach or exceed $500,000, the asset(s) shall be recorded at net book cost.	X	

47 C.F.R. PART 32 SUBPART B (Selected Rules)	Action Requested	
	For-bear	**No Action** (Does not apply to BST today)
Subpart B--General Instructions Sec. 32.27 Transactions with affiliates **(continued).**		
(c) Services provided between a carrier and its affiliate pursuant to a tariff, including a tariff filed with a state commission, shall be recorded in the appropriate revenue accounts at the tariffed rate. Non-tariffed services provided between a carrier and its affiliate pursuant to publicly-filed agreements submitted to a state commission pursuant to section 252(e) of the Communications Act of 1934 or statements of generally available terms pursuant to section 252(f) shall be recorded using the charges appearing in such publicly-filed agreements or statements. Non-tariffed services provided between a carrier and its affiliate that qualify for prevailing price valuation, as defined in paragraph (d) of this section, shall be recorded at the prevailing price. For all other services sold by or transferred from a carrier to its affiliate, the services shall be recorded at no less than the higher of fair market value and fully distributed cost. For all other services sold by or transferred to a carrier from its affiliate, the services shall be recorded at no more than the lower of fair market value and fully distributed cost. (1) Floor. When services are sold by or transferred from a carrier to an affiliate, the higher of fair market value and fully distributed cost establishes a floor, below which the transaction cannot be recorded. Carriers may record the transaction at an amount equal to or greater than the floor, so long as that action complies with the Communications Act of 1934, as amended, Commission rules and orders, and is not otherwise anti-competitive. (2) Ceiling. When services are purchased from or transferred from an affiliate to a carrier, the lower of fair market value and fully distributed cost establishes a ceiling, above which the transaction cannot be recorded. Carriers may record the transaction at an amount equal to or less than the ceiling, so long as that action complies with the Communications Act of 1934, as amended, Commission rules and orders, and is not otherwise anti-competitive. (3) Threshold. For purposes of this section, carriers are required to make a good faith determination of fair market value for a service when the total aggregate annual value of that service reaches or exceeds $500,000, per affiliate. When a carrier reaches or exceeds the $500,000 threshold for a particular service for the first time, the carrier must perform the market valuation and value the transaction in accordance with the affiliate transactions rules on a going-forward basis. All services received by a carrier from its affiliate(s) that exist solely to provide services to members of the carrier's corporate family shall be recorded at fully distributed cost.	X	
(d) In order to qualify for prevailing price valuation in paragraphs (b) and (c) of this section, sales of a particular asset or service to third parties must encompass greater than 25 percent of the total quantity of such product or service sold by an entity. Carriers shall apply this 25 percent threshold on an asset-by-asset and service-by-service basis, rather than on a product-line or service-line basis. In the case of transactions for assets and services subject to section 272, a BOC may record such transactions at prevailing price regardless of whether the 25 percent threshold has been satisfied.	X	

47 C.F.R. PART 32 SUBPART B (Selected Rules)	**Action Requested**	
	For-bear	**No Action** (Does not apply to BST today)
Subpart B--General Instructions Sec. 32.27 Transactions with affiliates **(continued).**		
(e) Income taxes shall be allocated among the regulated activities of the carrier, its nonregulated divisions, and members of an affiliated group. Under circumstances in which income taxes are determined on a consolidated basis by the carrier and other members of the affiliated group, the income tax expense to be recorded by the carrier shall be the same as would result if determined for the carrier separately for all time periods, except that the tax effect of carry-back and carry-forward operating losses, investment tax credits, or other tax credits generated by operations of the carrier shall be recorded by the carrier during the period in which applied in settlement of the taxes otherwise attributable to any member, or combination of members, of the affiliated group.	X	
(f) Companies that employ average schedules in lieu of actual costs are exempt from the provisions of this section. For other organizations, the principles set forth in this section shall apply equally to corporations, proprietorships, partnerships and other forms of business organizations. [67 FR 5679, Feb. 6, 2002]		X

Appendix 1 – Rules

PART 32 – Uniform System of Accounts for Telecommunications Companies
Subpart D – Instructions for Revenue Accounts Section 32.5280

47 C.F.R. PART 32 SUBPART D (Selected Rules)	Action Requested	
	For-bear	**No Action**
Subpart D--Instructions For Revenue Accounts Sec. 32.5280 Nonregulated operating revenue.		
(a) This account shall include revenues derived from a nonregulated activity involving the common or joint use of assets or resources in the provision of regulated and nonregulated products or services.		X[1]
(b) This account shall be debited and regulated revenue accounts shall be credited at tariffed rates when tariffed services are provided to nonregulated activities that are accounted for as prescribed in Sec. 32.23(c) of this subpart.	X	
(c) Separate subsidiary record categories shall be maintained for two groups of nonregulated revenue as follows: one subsidiary record for all revenues derived from regulated services treated as nonregulated for federal accounting purposes pursuant to Commission order and the second for all other revenues derived from a nonregulated activity as set forth in paragraph (a) of this section.	X	
[53 FR 49322, Dec. 7, 1988, as amended at 64 FR 50008, Sept. 15, 1999; 67 FR 5694, Feb. 6, 2002]		

[1] BST will continue to journalize revenue to Account 5280. Generally, this is revenue from activities that are not classified as common carrier communications for Title II purposes.

Appendix 1 – Rules

PART 36 - Jurisdictional Separations Procedures; Standard Procedures for Separating Telecommunications Property Costs, Revenues, Expenses, Taxes and Reserves for Telephone Companies
Subpart A – General

47 C.F.R. PART 36 SUBPART A	Action Requested: For-bear	Action Requested: No Action (Does not apply to BST today)
Subpart A—General Sec. 36.1 General.		
(a) This part contains an outline of separations procedures for telecommunications companies on the station-to-station basis. These procedures are applicable either to property costs, revenues, expenses, taxes, and reserves as recorded on the books of the company or to estimated amounts. (1) Where a value basis is used instead of book costs, the ''costs" referred to are the ''values" of the property derived from the valuation.	X	
(b) The separations procedures set forth in this part are designed primarily for the allocation of property costs, revenues, expenses, taxes and reserves between state and interstate jurisdictions. For separations, where required, of the state portion between exchange and toll or for separations of individual exchanges or special services, further analyses and studies may be required to adapt the procedures to such additional separations.	X	
(c) The fundamental basis on which separations are made is the use of telecommunications plant in each of the operations. The first step is the assignment of the cost of the plant to categories. The basis for making this assignment is the identification of the plant assignable to each category and the determination of the cost of the plant so identified. The second step is the apportionment of the cost of the plant in each category among the operations by direct assignment where possible, and all remaining costs are assigned by the application of appropriate use factors.	X	
(d) In assigning book costs to categories, the costs used for certain plant classes are average unit costs which equate to all book costs of a particular account or subaccount; for other plant classes, the costs used are those which either directly approximate book cost levels or which are equated to match total book costs at a given location.	X	
(e) The procedures outlined herein reflect ''short-cuts" where practicable and where their application produces substantially the same separations results as would be obtained by the use of more detailed procedures, and they assume the use of records generally maintained by Telecommunications Companies.	X	
(f) The classification to accounts of telecommunications property, revenues, expenses, etc., set forth in this manual is that prescribed by the Federal Communications Commission's Uniform System of Accounts for Telecommunications Companies.	X	
(g) In the assignment of property costs to categories and in the apportionment of such costs among the operations, each amount so assigned and apportioned is identified as to the account classification in which the property is included. Thus, the separated results are identified by property accounts and apportionment bases are provided for those expenses which are separated on the basis of the apportionment of property costs. Similarly, amounts of revenues and expenses assigned each of the operations are identified as to account classification.	X	
(h) The separations procedures described in this part are not to be interpreted as indicating what property, revenues, expenses and taxes, or what items carried in the income, reserve and retained earnings accounts, should or should not be considered in any investigation or rate proceeding.	X	

<table>
<tr><th rowspan="2">47 C.F.R. PART 36 SUBPART A</th><th colspan="2">Action Requested</th></tr>
<tr><th>For-bear</th><th>No Action (Does not apply to BST today)</th></tr>
<tr><td>Subpart A—General

Sec. 36.2 Fundamental principles underlying procedures.</td><td></td><td></td></tr>
<tr><td>(a) The following general principles underlie the procedures outlined in this part:
(1) Separations are intended to apportion costs among categories or jurisdictions by actual use or by direct assignment.
(2) Separations are made on the ``actual use" basis, which gives consideration to relative occupancy and relative time measurements.<br>(3) In the development of ``actual use" measurements, measurements of use are (i) determined for telecommunications plant or for work performed by operating forces on a unit basis (e.g., conversation-minute-kilometers per message, weighted standard work seconds per call) in studies of traffic handled or work performed during a representative period for all traffic and (ii) applied to overall traffic volumes, i.e., 24-hour rather than busy-hour volumes.</td><td>X</td><td></td></tr>
<tr><td>(b) Underlying the procedures included in this manual for the separation of plant costs is an over-all concept which may be described as follows:
(1) Telecommunications plant, in general, is segregable into two broad classifications, namely, (i) interexchange plant, which is plant used primarily to furnish toll services, and (ii) exchange plant, which is plant used primarily to furnish local services.
(2) Within the interexchange classification, there are three broad types of plant, i.e., operator systems, switching plant, and trunk transmission equipment. Within the exchange classification there are four board types of plant, i.e., operator systems, switching plant, truck equipment and subscriber plant. Subscriber plant comprises lines to the subscriber.
(3) In general, the basis for apportioning telecommunications plant used jointly for state and interstate operations are:
(i) Operator work time expressed in weighted standard work seconds is the basis for measuring the use of operator systems.
(ii) Holding-time-minutes is the basis for measuring the use of toll switching plant.
(iii) Conversation-minute-kilometers or conversation minutes is the basis for measuring the use of interexchange circuit plant and holding-time minutes is the basis for measuring the use of exchange trunk plant. While the use of holding-time-minute-kilometers is the basic fundamental allocation factor for interexchange circuit plant and exchange trunk plant, the use of conversation-minute-kilometers or conversation-minutes for the allocation of interexchange circuit plant and holding-time minutes for the allocation of exchange trunk plant are considered practical approximations for separations between state and interstate operations when related to the broad types of plant classifications used herein.
(iv) A subscriber plant factor is the basis of apportioning the cost of message telecommunications subscriber plant and local switching plant between State and interstate operations. The subscriber plant factor is developed and used according to the procedures set forth in Sec. Sec. 36.154(c) through 36.154(f).</td><td>X</td><td></td></tr>
</table>

47 C.F.R. PART 36 SUBPART A	Action Requested: For-bear	Action Requested: No Action (Does not apply to BST today)
Subpart A—General Sec. 36.2 Fundamental principles underlying procedures **(continued)**.		
(c) Property rented to affiliates, if not substantial in amount, is included as used property of the owning company with the associated revenues and expenses treated consistently: Also such property rented from affiliates is not included with the used property of the company making the separations; the rent paid is included in its expenses. If substantial in amount, the following treatment is applied: (1) In the case of property rented to affiliates, the property and related expenses and rent revenues are excluded from the telephone operations of the owning company, and (2) In the case of property rented from affiliates, the property and related expenses are included with, and the rent expenses are excluded from, the telephone operations of the company making the separation.	X	
(d) Property rented to or from non-affiliates is usually to be included as used property of the owning company with the associated revenues and expenses treated consistently. In the event the amount is substantial, the property involved and the revenues and expenses associated therewith may be excluded from or included in the telecommunications operations of the company. When required, the cost of property rented to or from non-affiliates is determined using procedures that are consistent with the procedures for the allocation of costs among the operations.	X	
(e) Costs associated with services or plant billed to another company which have once been separated under procedures consistent with general principles set forth in this part, and are thus identifiable as entirely interstate or State in nature, shall be directly assigned to the appropriate operation and jurisdiction. [52 FR 17229, May 6, 1987, as amended at 58 FR 44905, Aug. 25, 1993]	X	

47 C.F.R. PART 36 SUBPART A	Action Requested	
	For-bear	**No Action** (Does not apply to BST today)
Subpart A—General Sec. 36.3 Freezing of jurisdictional separations category relationships and/or allocation factors.		
(a) Effective July 1, 2001, through June 30, 2006, all local exchange carriers subject to part 36 rules shall apportion costs to the jurisdictions using their study area and/or exchange specific jurisdictional allocation factors calculated during the twelve month period ending December 31, 2000, for each of the categories/sub-categories as specified herein. Direct assignment of private line service costs between jurisdictions shall be updated annually. Other direct assignment of investment, expenses, revenues or taxes between jurisdictions shall be updated annually. Local exchange carriers that invest in telecommunications plant categories during the period July 1, 2001, through June 30, 2006, for which it had no separations allocation factors for the twelve month period ending December 31, 2000, shall apportion that investment among the jurisdictions in accordance with the separations procedures in effect as of December 31, 2000 for the duration of the freeze.	X	
(b) Effective July 1, 2001, through June 30, 2006, local exchange carriers subject to price cap regulation, pursuant to Sec. 61.41, shall assign costs from the part 32 accounts to the separations categories/sub-categories, as specified herein, based on the percentage relationships of the categorized/sub-categorized costs to their associated part 32 accounts for the twelve month period ending December 31, 2000. If a part 32 account for separations purposes is categorized into more than one category, the percentage relationship among the categories shall be utilized as well. Local exchange carriers that invest in types of telecommunications plant during the period July 1, 2001, through June 30, 2006, for which it had no separations category investment for the twelve month period ending December 31, 2000, shall assign such investment to separations categories in accordance with the separations procedures in effect as of December 31, 2000. Local exchange carriers not subject to price cap regulation, pursuant to Sec. 61.41 of this chapter, may elect to be subject to the provisions of Sec. 36.3(b). Such election must be made prior to July 1, 2001. Local exchange carriers electing to become subject to Sec. 36.3(b) shall not be eligible to withdraw from such regulation for the duration of the freeze. Local exchange carriers participating in Association tariffs, pursuant to Sec. 69.601 of this chapter et seq., shall notify the Association prior to July 1, 2001, of such intent to be subject to the provisions of Sec. 36.3(b). Local exchange carriers not participating in Association tariffs shall notify the Commission prior to July 1, 2001, of such intent to be subject to the provisions of Sec. 36.3(b).	X	
(c) Effective July 1, 2001, through June 30, 2006, any local exchange carrier that sells or otherwise transfers exchanges, or parts thereof, to another carrier's study area shall continue to utilize the factors and, if applicable, category relationships as specified in Sec. Sec. 36.3(a) and (b).	X	

47 C.F.R. PART 36 SUBPART A	Action Requested	
	For-bear	**No Action** (Does not apply to BST today)
Subpart A—General Sec. 36.3 Freezing of jurisdictional separations category relationships and/or allocation factors **(continued)**		
(d) Effective July 1, 2001, through June 30, 2006, any local exchange carrier that buys or otherwise acquires exchanges or part thereof, shall calculate new, composite factors and, if applicable, category relationships based on a weighted average of both the seller's and purchaser's factors and category relationships calculated pursuant to Sec. Sec. 36.3(a) and 36.3(b). This weighted average should be based on the number of access lines currently being served by the acquiring carrier and the number of access lines in the acquired exchanges. (1) To compute the composite allocation factors and, if applicable, the composite category percentage relationships of the acquiring company, the acquiring carrier shall first sum its existing (pre-purchase) access lines (A) with the total access lines acquired from selling company (B). Then, multiply its factors and category relationship percentages by (A/(A+B)) and those of the selling company by (B/(A+B)) and sum the results. (2) For carriers subject to a freeze of category relationships, the acquiring carrier should remove all categories of investment from the selling carrier's list of frozen category relationships where no such category investment exists within the sold exchange(s). The seller's remaining category relationships must then be increased proportionately to total 100 percent. Then, the adjusted seller's category relationships must be combined with those of the acquiring carrier as specified in Sec. 36.3(d)(1) to determine the category relationships for the acquiring carrier's post-transfer study area.	X	
(e) Any local exchange carrier study area converting from average schedule company status, as defined in Sec. 69.605(c) of this chapter, to cost company status during the period July 1, 2001, through June 30, 2006, shall, for the first twelve months subsequent to conversion categorize the telecommunications plant and expenses and develop separations allocation factors in accordance with the separations procedures in effect as of December 31, 2000. Effective July 1, 2001 through June 30, 2006, such companies shall utilize the separations allocation factors and account categorization subject to the requirements of Sec. Sec. 36.3(a) and (b) based on the category relationships and allocation factors for the twelve months subsequent to the conversion to cost company status. [66 FR 33204, June 21, 2001]		X

Appendix 1 – Rules

PART 36 - Jurisdictional Separations Procedures; Standard Procedures for Separating Telecommunications Property Costs, Revenues, Expenses, Taxes and Reserves for Telephone Companies
Subpart B – Telecommunications Property

47 C.F.R. PART 36 SUBPART B	Action Requested	
	For-bear	No Action (Does not apply to BST today)
Subpart B--Telecommunications Property General Sec. 36.101 Section arrangement. (a) This subpart is arranged in sections as follows: General Telecommunications Plant in Service--Account 2001--36.101 and 36.102. General Support Facilities--Account 2110--36.111 and 36.112. Central Office Equipment--Accounts 2210, 2220, 2230--36.121 thru 36.126. Information Origination/Termination Equipment--Account 2310--36.141 and 36.142. Cable and Wire Facilities--Account 2410--36.151 thru 36.157. Amortization Assets--Accounts 2680 and 2690--36.161 and 36.162. Telecommunications Plant--Other Accounts 2002 thru 2005--36.171. Rural Telephone Bank Stock--36.172. Material and Supplies--Accounts 1220, and Cash Working Capital--36.181 and 36.182. Equal Access Equipment--36.191. [60 FR 12138, Mar. 6, 1995]	X	
Subpart B--Telecommunications Property General Sec. 36.102 General. (a) This section contains an outline of the procedures used in the assignment of Telecommunications Plant in Service--Account 2001 to categories and the apportionment of the cost assigned to each category among the operations. (b) The treatment of rental plant is outlined in Sec. Sec. 36.2(c) through 36.2(e). If the amount of such plant is substantial, the cost may be determined by using the general procedures set forth for the assignment of the various kinds of property to categories. (c) The amount of depreciation deductible from the book cost or ``value" is apportioned among the operations in proportion to the separation of the cost of the related plant accounts.	X X X	
Subpart B--Telecommunications Property General Support Facilities Sec. 36.111 General. (a) The costs of the general support facilities are contained in Account 2110, Land and Support Assets. This account contains land, buildings, motor vehicles, aircraft, special purpose vehicles, garage work equipment, other work equipment, furniture, office equipment and general purpose computers.	X	

47 C.F.R. PART 36 SUBPART B	Action Requested	
	For-bear	**No Action** (Does not apply to BST today)
Subpart B--Telecommunications Property General Support Facilities Sec. 36.112 Apportionment procedure.		
(a) The costs of the general support facilities of Class A Companies (which are defined in part 32 of the Commission's Rules) are apportioned among the operations on the basis of the separation of the costs of the combined Big Three Expenses which include the following accounts: Plant Specific Expenses Central Office Switching Expenses--Accounts 6211 and 6212 Operators Systems Expenses--Account 6220 Central Office Transmission Expenses--Accounts 6231 and 6232 Information Origination/Termination Expenses--Accounts 6311, 6341, 6351, and 6362 Cable and Wire Facilities Expenses-- Accounts 6411, 6421, 6422, 6423, 6424, 6426, 6431, and 6441 Plant Non-Specific Expenses Network Operations Expenses--Accounts 6531, 6532, 6533, 6534, and 6535 Customer Operations Expenses Marketing--Account 6611 and 6613 Services--Account 6620	X	
(b) The costs of the general support facilities for Class B Companies (which are defined by part 32 of the Commission's Rules) are apportioned among the operations on the basis of the separation of the costs of Central Office Equipment, Information Origination/Termination Equipment, and Cable and Wire Facilities, combined. [52 FR 17229, May 6, 1987, as amended at 53 FR 33012, Aug. 29, 1988; 69 FR 12549, Mar. 17, 2004]		X

47 C.F.R. PART 36 SUBPART B	Action Requested: For-bear	Action Requested: No Action (Does not apply to BST today)
Subpart B--Telecommunications Property Central Office Equipment Sec. 36.121 General.		
(a) The costs of central office equipment are carried in the following accounts: Central Office Switching................. Account 2210. Non-digital Switching.................... Account 2211. Digital Electronic Switching............. Account 2212. Operator Systems......................... Account 2220. Central Office--Transmission............Account 2230. Radio Systems............................ Account 2231. Circuit Equipment........................ Account 2232.	X	
(b) Records of the cost of central office equipment are usually maintained for each study area separately by accounts. However, each account frequently includes equipment having more than one use. Also, equipment in one account frequently is associated closely with equipment in the same building in another account. Therefore, the separations procedures for central office equipment have been designed to deal with categories of plant rather than with equipment in an account.	X	
(c) In the separation of the cost of central office equipment among the operations, the first step is the assignment of the equipment in each study area to categories. The basic method of making this assignment is the identification of the equipment assignable to each category, and the determination of the cost of the identified equipment by analysis of accounting, engineering and other records. (1) The cost of common equipment not assigned to a specific category, e.g., common power equipment, including emergency power equipment, aisle lighting and framework, including distributing frames, is distributed among the categories in proportion to the cost of equipment, (excluding power equipment not dependent upon common power equipment) directly assigned to categories. (i) The cost of power equipment used by one category is assigned directly to that category, e.g., 130 volt power supply provided for circuit equipment. The cost of emergency power equipment protecting only power equipment used by one category is also assigned directly to that category. (ii) Where appropriate, a weighting factor is applied to the cost of circuit equipment in distributing the power plant costs not directly assigned, in order to reflect the generally greater power use per dollar of cost of this equipment.	X	
(d) The second step is the apportionment of the cost of the equipment in each category among the operations through the application of appropriate use factors or by direct assignment. [52 FR 17229, May 6, 1987, as amended at 69 FR 12549, Mar. 17, 2004]	X	